

Message Text

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ACTION ARA-06

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R 101615Z JUN 75

FM AMEMBASSY PORT AU PRINCE

TO SECSTATE WASHDC 9989

INFO AMEMBASSY KINGSTON

AMEMBASSY SANTO DOMINGO

C O N F I D E N T I A L SECTION 1 OF 2 PORT AU PRINCE 1398

LIMDIS

E. O. 11652: GDS

TAGS: PINS, PINT, ECON, HA

SUBJECT: POLITICAL, ECONOMIC STRAINS BESET HAITIAN LEADERSHIP

REF: P-AU-P 1304

1. SUMMARY. REPORTED HAITIAN EXILE MANEUVERINGS, SEVERE INFLATION AGGRAVATED BY THE DROUGHT AND THUS FAR UNCHECKED BY GOVERNMENTAL ACTION

APPARENT PALACE INDECISION ABOUT PROSECUTING HIGH-LEVEL EMBEZZLERS IN THE STAMP SCANDAL, AND RENEWED DOUBTS ABOUT THE REAL LOCUS OF DECISION-MAKING IN THE REGIME HAVE LED TO A STATE OF UNEASE AND APPREHENSION IN PORT-AU-PRINCE. AUSTERITY IMPOSED BY THE IMF ON FURTHER BNRH EXPENDITURES AND ON COMMERCIAL BANK CREDIT OPERATIONS WILL BE NECESSARY FOR FINANCIAL STABILITY, BUT WILL DEPRESS THE ECONOMY AND MAY RAISE CRITICAL QUESTIONS ABOUT ILL-DEFINED PRIORITY WHICH CONTRIBUTED TO THE PRESENT BALANCE OF PAYMENTS CRUNCH. THERE ARE NO EASY ANSWERS OR MAGIV FORMULAE, AND THE PRESIDENT'S LEADERSHIP WILL BE PUT TO A SEVERE TEST IN THE NEXT 3-5 MONTHS.

2. EXILE POSTURING FEEDS RUMOR MILL. ALTHOUGH EX-PRESIDENT PAUL MAGLOIRE IS IN HIS SIXTIES AND NEARLY BLIND, HIS THREATENING AMSTERDAM NEWS INTERVIEW (REFTEL) AND HIS SUPPOSED ABILITY TO

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RALLY ANTI-DUVALIER EXILES REMAINS STRONG ENOUGH THAT THE REGIME --

PERENNIALY SECURITY-CONSCIOUS -- TENDS TO TAKE HIS BOASTS SERIOUSLY. THE WORD IS BEING PASSED FROM THE NEW YORK EXILE COMMUNITY THAT THEIR PORT-AU-PRINCE CONTACTS SHOULD BRACE THEMSELVES FOR AN UPHEAVAL IN PORT-AU-PRINCE. SECURITY FORCES ARE NOT, SO FAR AS WE KNOW, ON SPECIAL ALERT, ALTHOUGH EXTRA PRECAUTIONS HAVE BEEN TAKEN. ADDED TO THE SENSE OF FOREBODING ARE RUMORS THAT THE PRESIDENT AND HIS FAMILY ARE DISPOSING OF REAL ESTATE PREPARATORY TO GOING INTO EXILE. WHILE PROPERTY OF SISTER MARIE-DENISE DOMINIQUE MAY BE PUT UP FOR AUCTION SOON, THERE IS NO EVIDENCE THAT THE PRESIDENT HAS THE LEAST INTENTION TO ABANDON HIS POSITION AND RESPONSIBILITIES.

3. ECONOMIC BLUES. DOUBLE DIGIT INFLATION HAS CRUELLY HURT HAITI'S GROWING MIDDLE CLASS AND HAS BROUGHT REAL HARDSHIP TO LOW-INCOME HAITIANS IN THE COUNTRYSIDE AND IN THE CONGESTED URBAN AREAS OF PORT-AU-PRINCE. THE DROUGHT IN THE NORTHWEST HAS NOT DIRECTLY AFFECTED FOOD SUPPLIED TO THE CAPITAL BUT LACK OF RAIN IN PARTS OF THE FERTILE SOUTHERN PENINSULA, AND IN THE CUL DE SAN, AND THE HIGH COST OF IMPORTED COMMODITIES HAVE KEPT FOOD PRICES HIGH. THE PRESS COMPLAINS THAT WITHOUT THE MARKET TAX TO FORCE THEM TO DISPOSE OF THEIR PRODUCE, PEASANT WOMEN CAN HOLD OUT FOR THEIR PRICE AND RETURN HOME TO RESELL ANOTHER DAY IF THEIR DEMANDS ARE NOT MET -- A "SCISSORS" EFFECT POISONING TOWN/RURAL RELATIONS. THE ALREADY HIGH UNEMPLOYMENT LEVEL HAS INCREASED SHARPLY AS CONSTRUCTION INDUSTRY REDUCES ACTIVITIES AND AS THE ASSEMBLY AND TEXTILE PLANTS, HURT BY DECLINING U.S. ORDERS, CUT PRODUCTION. COMMERCE MINISTER MURAT'S FAILURE TO SECURE U.S. AGREEMENT LAST WEEK TO A 84 MILLION SQUARE YARD COMPREHENSIVE TEXTILE AGREEMENT (INSTEAD OF THE 52 MILLION FIGURE AGREED UPON LAST FALL) HAS ADDED TO GLOOM IN THE TEXTILE INDUSTRY. (SEPTTEL PROVIDES DETAILED ANALYSIS OF HAITI'S ECONOMIC PROSPECTS FOR 1975.)

4. INDECISION IN STAMP FRAUD PROSECUTION. ALTHOUGH THE ENVESTIGATION INTO THE STAMP SCANDAL BEGAN BOLDLY, PREMISED UPON A SEARCH FOR THE CULPRITS TO THE END, SILENCE HAS DESCENDED UPON THE AFFAIR, HALF OF THE DEFENDANTS HAVE BEEN RELEASED, JUSTICE MINISTER JEANTY IS OCCUPIED WITH OTHER MATTERS (THE SERIOUS LAND DISPOSSESSION EPIDEMIC), AND NOBODY SEEMS TO KNOW WHEN THE TRIAL WILL START. A PROMISING INITIATIVE TO CLEAN UP HIGH-LEVEL CORRUPTION THUS
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SEEMS TO HAVE PETERED OUT AMBIGUOUSLY.

5. BALANCE OF PAYMENTS CRISIS. BNRH RESERVES ARE AT THEIR LOWEST POINT IN THREE YEARS. THE DIFFICULT PERIOD CAN BE PASSED IF THE GOH ESTABLISHES MORE CAREFUL PRIORITIES FOR OVERSEAS EXPENDITURES AND MAKES FULL USE OF THE IMF STANBY AND OIL FACILITY, PL 480 TITLE I, AND OTHER CREDIT SOURCES. HOWEVER, THE TOUGH CONDITIONS PLACED BY THE IMF FOR RENEWAL OF THE STANDBY WILL REQUIRE AN

AUSTERITY PROGRAM ON CREDIT BY PRIVATE BANKS, THUS FURTHER DEPRESSING THE ECONOMY, AND BY THE BNRH, LEAVING SLIM MARGINS FOR EMERGENCY FOOD RELIEF FROM THE GOH'S OWN RESOURCES OR FOR NEW COUNTERPART CONTRIBUTIONS. EXPENDITURES ON TELECOMMUNICATIONS (\$12 MILLION SO FAR OUT OF A TOTAL CONTRACT OF \$25 MILLION) CONSTITUTE A HEAVY DRAIN ON THE BNRH AND PLACE IN QUESTION THE PRESIDENT'S JUDGMENT IN PREFERRING TO FINANCE SUCH AN AMBITIOUS PROJECT THROUGH NATIONAL BANK RESOURCES WHEN THE IDB HAD ALREADY AGREED TO FINANCE A COMPARABLE PROJECT.

6. PSYCHOLOGICAL IMPACT ON DUVALIER. CONSTRAINTS ON HIS OPTIONS DO NOT SIT WELL WITH THIS YOUNG, IMPETUOUS PRESIDENT, AND THE CONSERVATIVE FINANCIAL ADVICE OF VETERAN, HIGHLY RESPECTED BNRH PRESIDENT ANDRE IS USUALLY UNPALATABLE, ALTHOUGH MORE OFTEN THAN NOT IS HEEDDED. IN RECENT DAYS PRESIDENT DUVALIER'S KEY ADVISORS

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C O N F I D E N T I A L SECTION 2 OF 2 PORT AU PRINCE 1398

LIMDIS

(ANDRE, BROS, JURAT, LEVEQUE) HAVE (ANDRE TELLS US CONFIDENTIALLY) REVIEWED IN DEPTH AND WITH CANDOR HAITI'S PRESENT STRAITENED CIRCUMSTANCES. THEIR MESSAGE, ANDRE FEELS, GOT THROUGH. ANDRE WILL BE LOOKING, IN CONSULTATIONS IN WASHINGTON WITH OAS, IBRD, IDB, AND AID OFFICIALS THE WEEK OF JUNE 9-12, FOR BACKING TO STRENGTHEN BOTH THE BNRH RESERVE POSITION AND HIS OWN ARGUMENTS FOR FISCAL RESPONSIBILITY AT HOME.

7. CONCLUSION: IN THIS PERIOD OF PSYCHOLOGICAL AND ECONOMIC STRAIN ON THE HAITIAN GOVERNMENT AND PUBLIC, THE SWIFT AND EFFECTIVE USG RESPONSE TO THE SEVERE DROUGHT IN THE NORTHWEST HAD BEEN AN IMPORTANT REASSURING FACTOR. THUS FAR THE GOH IS MEETING ITS RELIEF RESPONSIBILITIES WELL AND WE WILL CONTINUE TO WATCH ITS PERFORMANCE CLOSELY. IT IS IMPORTANT THAT THE POSITIONS OF ANDRE AND BROS--AMONG THE MOST RESPONSIBLE MINISTERIAL-LEVEL OFFICIALS IN THE GOVERNMENT--BE STRENGTHENED DURING THEIR WASHINGTON CONSULTATIONS JUNE 9-12 BY AN ATTITUDE OF UNDERSTANDING AND SUPPORT FROM USG AND INTERNATIONAL AGENCY OFFICIALS. WE WANT THE GOH TO REFORM SOME OF ITS FISCAL PRACTICES ON REVENUES AND EXPENDITURES, BUT OUR REPRESENTATIONS SHOULD BE BALANCED AND SHOULD BE DESIGNED TO OFFER CONSTRUCTIVE ALTERNATIVES TO THE MEN WHO MUST ADVOCATE DISAGREEABLE, EVEN HUMILIATING AUSTERITY TO A LEADERSHIP SUDDENLY GROWN LESS SURE OF ITS TOUCH.

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